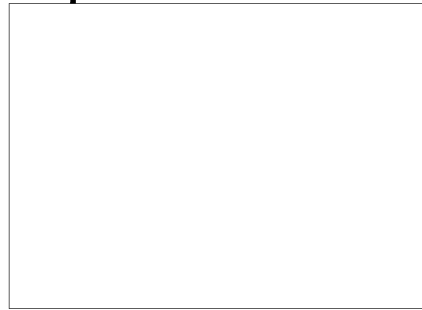




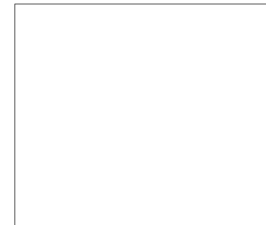
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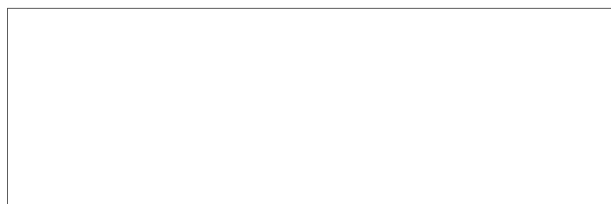


National Intelligence Daily

**Monday
6 July 1987**



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PANAMA:**Delvalle, Opposition Waver**

President Delvalle reportedly is seriously considering resigning, and his call last night for a national dialogue and for an investigation into charges against Noriega probably reflect a last-ditch effort to bring an end to the violence

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threatened to resign following military-orchestrated vandalism against opposition-owned businesses on Thursday.

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resignation and replaced his presidential guard with members of the military's intelligence section. failure to control progovernment violence, including the recent violent demonstration in front of the US Embassy.

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The US Embassy reports the opposition is attempting to develop a strategy for coordinating further political protests but is plagued by weak leadership. Press reports indicate the general business strike that ended yesterday was only partially successful, although a peaceful demonstration on Saturday drew up to 6,000 women calling for Noriega's ouster. University and secondary schools meanwhile have been closed in an attempt to undercut student protest activity.

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Comment: Despite his personal misgivings, Delvalle has publicly supported Noriega in the hope of maintaining some level of civilian participation in the government. The recent crisis has undermined his credibility, however, and his family's business holdings were attacked last week by government and opposition demonstrators. His speech probably is an effort to bolster his stature, and he may become the regime's conduit for dialogue

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If Delvalle resigns despite military pressure to hold fast, Noriega probably will allow Vice President Esquivel to take office. Although the outspoken Esquivel is not trusted by the military, he wants to be president and probably would cooperate with Noriega at least initially. After September—when the constitution would no longer require an early election—the military could oust Esquivel and have a more acceptable interim president appointed to govern until the scheduled election in 1989.

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The largely middle- and upper-class opposition probably will be cowed by the recent violent tactics of regime supporters. Opposition leaders are unprepared and unlikely to move beyond calls for peaceful protests and strike actions. Student activists, however, will continue to challenge the regime in the streets.

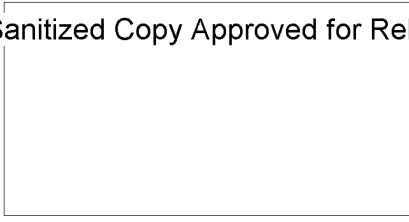
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ALGERIA-LIBYA: Results of Qadhafi's Visit

Algerian President Bendjedid and Libyan leader Qadhafi will continue to pursue closer cooperation where their interests converge even though they did not announce any steps toward a unity agreement during four days of meetings in Algiers last week.

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Senior Algerian leaders made scant reference ^{on 5 July} during Algerian independence day celebrations ~~yesterday~~ to Qadhafi's visit.

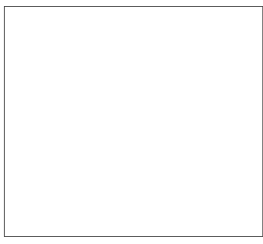
~~officials view the visit as a complete success.~~ ^{senior Algerian} Although the Algerians defended their invitation to Qadhafi ~~to US officials~~ as part of an effort to stop his troublemaking, ~~the US Embassy notes~~ that the Libyan leader appears to have some influential supporters in Algiers, including Messaadia, the ruling-party's permanent secretary.

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Comment: Despite Algerian claims, Bendjedid probably views Qadhafi's visit as the first step in ~~a scheme~~ to increase Algerian influence throughout the Maghreb. The Algerians probably urged Tunisian reconciliation with Libya during the visit this past weekend of a high-level Tunisian delegation attending the independence day celebrations. ~~Bendjedid probably also believes that Algerian contacts with Tunisian officials will create an improved bargaining position with regard to Morocco and Western Sahara.~~

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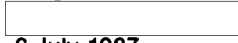
Qadhafi, for his part, probably counts his trip to Algiers as a success because it reassures domestic supporters of his regime's continued vitality and relieves his political isolation. These same considerations may encourage him to expand relations with Algeria and restore diplomatic ties to Tunisia. While in Algiers, however, Qadhafi did not go so far as to renew his support for the Polisario.

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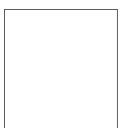
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HAITI:**Crisis Deepens Despite Government Concessions*****Public outrage over the Army's handling of recent unrest has undercut the ruling council's attempt to calm tensions and salvage some of its credibility through negotiations.***

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The independent electoral commission announced on ^{4 July} ~~Saturday~~ it was indefinitely suspending talks—aimed at putting the election process back on track—with the military-dominated council, according to press reports. The commission, which won a significant concession from the council last week—restoring its authority to oversee elections—cited alleged military brutality against civilians as the reason for its action. The US Embassy reports the commission will meet today to decide whether regime promises to prevent further incidents are sufficient to resume talks. US Embassy officers in Port-au-Prince say at least 20 people have been killed and 100 injured in recent unrest. Although opposition groups over the weekend called for a respite from protests, many of them plan to renew strike activity today to force the resignations of President Namphy and General Regala from the council.

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The council, for its part, has vowed to remain in power until the scheduled transition to civilian rule next February, according to press reports. In addition, senior Army officers issued a communique reaffirming their support for the council. In another concession to the opposition, the council announced Saturday it would reinstate the leftist union if the group replaced its leadership. Some political leaders reportedly have said, however, the government has no right to attach conditions to lifting the ban.

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Col. Jean-Claude Paul, commander of the 600-man Dessalines Battalion. Colonel Paul is considering launching a roundup of leftists and suspected agitators either today or tomorrow, according to an

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Comment: The commission's refusal to negotiate is likely to isolate Namphy and Regala even further from moderate political leaders and to increase the polarization between the military and the public.

~~Previous reporting from the [redacted] is inclined to undertake security actions on his own initiative. There is no corroborative evidence that a crackdown by Paul is related to coup plotting, but such action, if it occurs, would provoke widespread violence and a major crisis.~~

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CHINA:**Reformers Launch Media Offensive**

Reformists in the Chinese leadership have orchestrated a propaganda barrage in favor of economic and political reform and away from the six-month-old campaign against "bourgeois liberalism," but they may not have regained enough initiative to dominate the party congress in October.

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The reformists' latest salvo is an editorial in the *People's Daily* ~~last Wednesday~~ ^{on 1 July} that authoritatively places controversial political reforms high on the agenda for the congress. The current round of pregress jockeying in the leadership began in earnest in early May, according to ~~well-connected Hong Kong~~ media, when Acting Party General Secretary Zhao, prompted by Deng Xiaoping, gave a speech to senior propaganda officials criticizing several party ideologues by name for "leftist deviations" and defending moderates recently under attack.

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Comment: Deng and Zhao want to protect economic reforms that have come under attack. In recent public statements they have argued that economic reform will fail without "political structural reforms" to distance the party from routine government and state enterprise operations.

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Key personnel decisions—including the choice of a new central committee and a Politburo standing committee—and a manifesto on political and economic reforms will be the focus of meetings this month and next preparing for the congress. Maneuvering will continue as Deng, Zhao, and their allies try to capitalize on economic successes the reforms have brought, while their opponents call for strict adherence to Communist dogma and harp on the ideological, social, and economic problems created by reform.

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Although Deng's intervention puts orthodox officials on the defensive, animated political horsetrading almost certainly will continue right up to the congress.

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USSR-PERSIAN GULF: Soviet Government Statement

A statement issued ^{on 3 July} ~~Friday~~ cites the "drastic" increase in warships from nonregional countries as raising tensions in the Persian Gulf and calls for their withdrawal. It notes the USSR's proximity to the conflict and argues that Soviet warships are escorting Soviet merchant ships at the request of the Gulf states. The statement also says Iran and Iraq should refrain from actions that threaten international shipping. It notes the need for reducing tensions and says the USSR supports UN efforts toward a settlement. Iraqi Deputy Prime Minister Ramadan was in Moscow on ~~Thursday~~ ^{2 July} and spoke with President Gromyko and Premier Ryzhkov.

Comment: The statement is probably a response to the recent visit to Moscow by the US Ambassador to the UN and reflects Soviet concern over the US naval presence as well as the possible success of US diplomatic efforts in ending the war. It tries to legitimize the USSR's small naval presence in the Gulf and portray the approach as balanced and nonconfrontational. The call to end the attacks on shipping is designed to please Iran, which has recently been trying to separate the ground war from tensions in the Gulf. The high-level treatment of Ramadan, however, is aimed at preserving a balance in Moscow's policy toward both sides.

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In Brief**East Asia**

reportedly
 - **North Korean** President Kim Il-song seriously ill, ~~according to rumors in diplomatic circles~~ ... has not appeared in public since 20 June ... **Bangladeshi** President's visit postponed ... conflicting reports blame Kim's health, protocol problems.

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Middle East

- First **Soviet** BMP armored personnel carriers delivered to **Jordan**, according to report by US defense attache ... order for 30 signed in January ... deliveries expected to be completed by late summer.

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- **Syrian** President Assad has given preliminary approval to **Jordan's** plan to construct dam on Yarmuk River, according to US Embassy in Damascus ... trying to keep relations amicable ... discussions expected before formal agreement.

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Americas

- Student rioting erupted in Caracas, **Venezuela**, and elsewhere 2-3 July ... one student killed, according to press ... continued unrest may complicate President Lusinchi's political problems.

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Africa

- **Liberia** challenging parts of agreement allowing US advisers, scheduled to arrive this month, to help manage economy ... Monrovia to request increased payments for US facilities ... angry at US for not raising level of economic aid

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Recent Military Activity, June 1987

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Special Analysis**AFGHANISTAN:****Military Implications of Recent Offensives**

In intense fighting over the past month—the heaviest this year—the insurgents have demonstrated improved combat capabilities, but Afghan Government forces continue to have serious problems. The guerrillas' morale is high; they believe they have inflicted serious losses on Soviet and regime forces. This growing confidence may encourage more vigorous insurgent operations.

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Soviet and Afghan Government forces launched their largest offensives of the year in May and June in Qandahar and Paktia Provinces in an unsuccessful effort to cut insurgent supply routes and destroy guerrilla concentrations. Soviet-Afghan and insurgent forces are now engaged in heavy combat south and west of Kabul.

The chief effect of the fighting has been to improve insurgent morale. The insurgents' perception that they fought Soviet forces to a standstill in relatively large-scale conventional combat contrasts sharply with their failure to hold the logistic base at Zhawar Killi last spring. Improved air defenses, particularly Stinger missiles, have given the insurgents confidence to continue fighting despite extensive Soviet-Afghan air support. Large stocks of arms and ammunition—the result of a much-improved logistic situation—and the proximity of the fighting to resupply centers in Pakistan allowed resistance groups to counter two simultaneous, monthlong offensives with no reported shortages.

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The decision by the resistance to stand and fight in large units entailed costs, however. Several prominent insurgent commanders were killed, and the guerrillas suffered heavy casualties in both offensives. Sayyaf's group—one of the smallest of the resistance groups—had 55 killed in the Paktia offensive, according to US Embassy sources, a significant number considering his limited following.

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Regime's Military Performance Poor

Heavy ^{reportedly} casualties in the already dangerously understrength Afghan army have forced the regime to resort again to press gangs.

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Outlook

Although casualties among insurgents were heavy in the two operations, the regime's military position almost certainly will not improve, and heavy fighting will probably continue into the summer. The guerrillas have already resumed their siege of Ali Kheyl less than a week after the major Soviet operation there ended. The resistance will continue to bring in supplies and may try to mount more ambitious operations. Insurgent groups probably will be increasingly inclined to stand and fight when their bases are attacked, and this action will result in heavy fighting and more casualties.

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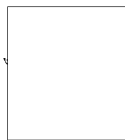
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Special Analysis

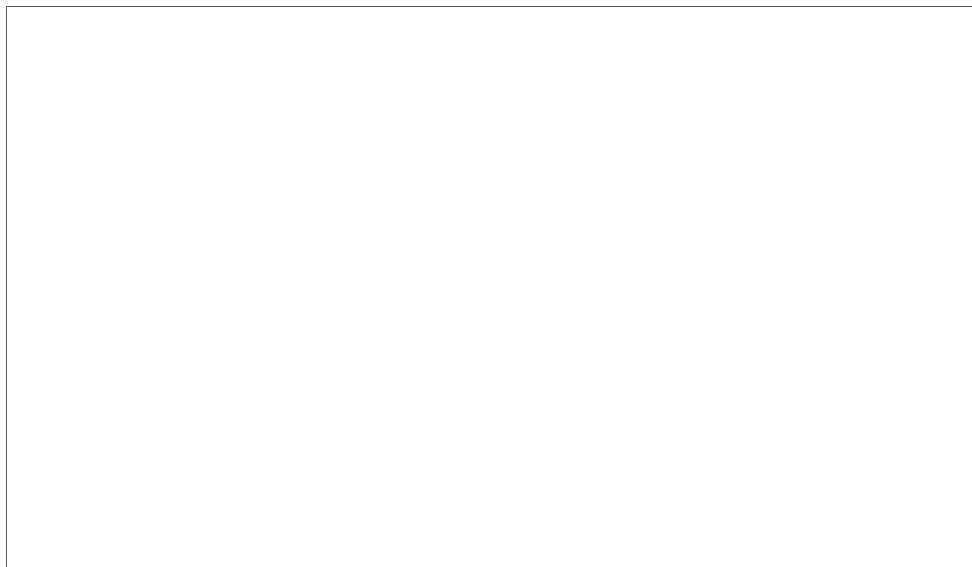
SPAIN-PORTUGAL: Expanding Arms Sales to Iran

Portugal has displaced Spain as Iran's largest Western arms supplier over the past two years with deliveries totaling \$400 million. Only China and North Korea supply more arms to Iran.

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Since 1983 Portugal has delivered ammunition, rifles, mortars, machineguns, recoilless rifles, and explosives to Iran, insisting that the weapons have no impact on the Iran-Iraq war. Portuguese officials claim they are acting out of economic necessity and accept with little question exporters' pro forma end-use declarations. Lisbon also allows foreign manufacturers to transship arms through Portuguese ports if Portuguese materials are also purchased.

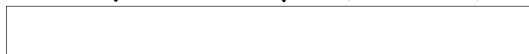
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Iran is a lucrative and insatiable market for arms, and Spain and Portugal need the export earnings. Moreover, the Spanish and Portuguese defense industries want to expand overseas markets but have trouble competing in the West. Their technologically uncomplicated weapons, however, are precisely what Iran needs.

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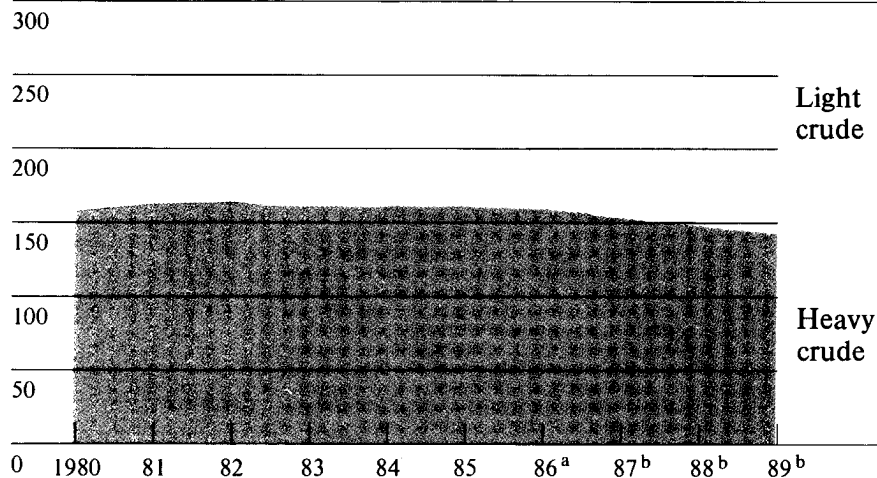
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Syria: Crude Oil Production, 1980-89

Thousand b/d



^aEstimated.

^bProjected, best case scenario.

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Special Analysis**SYRIA:****Outlook for Oil Industry**

Syria is making a concerted effort to attract foreign investors to develop its recently discovered oil deposits quickly. US ^{Western} economic sanctions have not kept Damascus from achieving expected production levels.

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Damascus is counting on using revenues from the infant oil and gas industries to help finance an economic recovery. Although gas, possibly in commercial quantities, has been found in central Syria, the development of new oilfields in the east remains central to the government's economic strategy. Previously ignored as an oil source, Syria intends to take advantage of its Mediterranean access and pipelines to become an exporter of note.

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Syria still pays a large monthly sum to Royal Dutch Shell in cost recovery and royalty payments for losses incurred by the company's former US partner, Pecten-Syria, as a result of US sanctions, according to the US Embassy in Damascus. A severe shortage of hard currency makes the payments a hardship, but Damascus is continuing them in an effort to give multinational corporations confidence in Syria's business climate and to attract new investment.

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Tricentrol Oil, a British firm, recently signed a contract for oil exploration in northcentral Syria, and Damascus is putting pressure on other foreign firms to wrap up current negotiations. Canadian, French, Belgian, and possibly a foreign subsidiary of a US firm are among those currently involved in talks. The US Embassy in Damascus says that, despite the pressure and favorable terms Syria is reportedly offering, the talks are proceeding slowly.

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The USSR has also pledged greater cooperation with the Syrian petroleum industry, according to press reports. Soviet aid would most likely be technical assistance in the upkeep of older wells rather than new exploration or large-scale investment.

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Oil from the newly discovered deposits is light and low in sulfur, well suited for blending with the heavy crude from Syria's older fields—which is otherwise unusable. So far, Syria has been using all its new output for domestic consumption and has been saving hard currency by paying the costs and profits of its foreign partners primarily with shipments of heavy Syrian crude sold on their behalf. If development goes well and foreign investment is high, Syria could become self-sufficient and begin exporting higher quality oil as early as 1990.

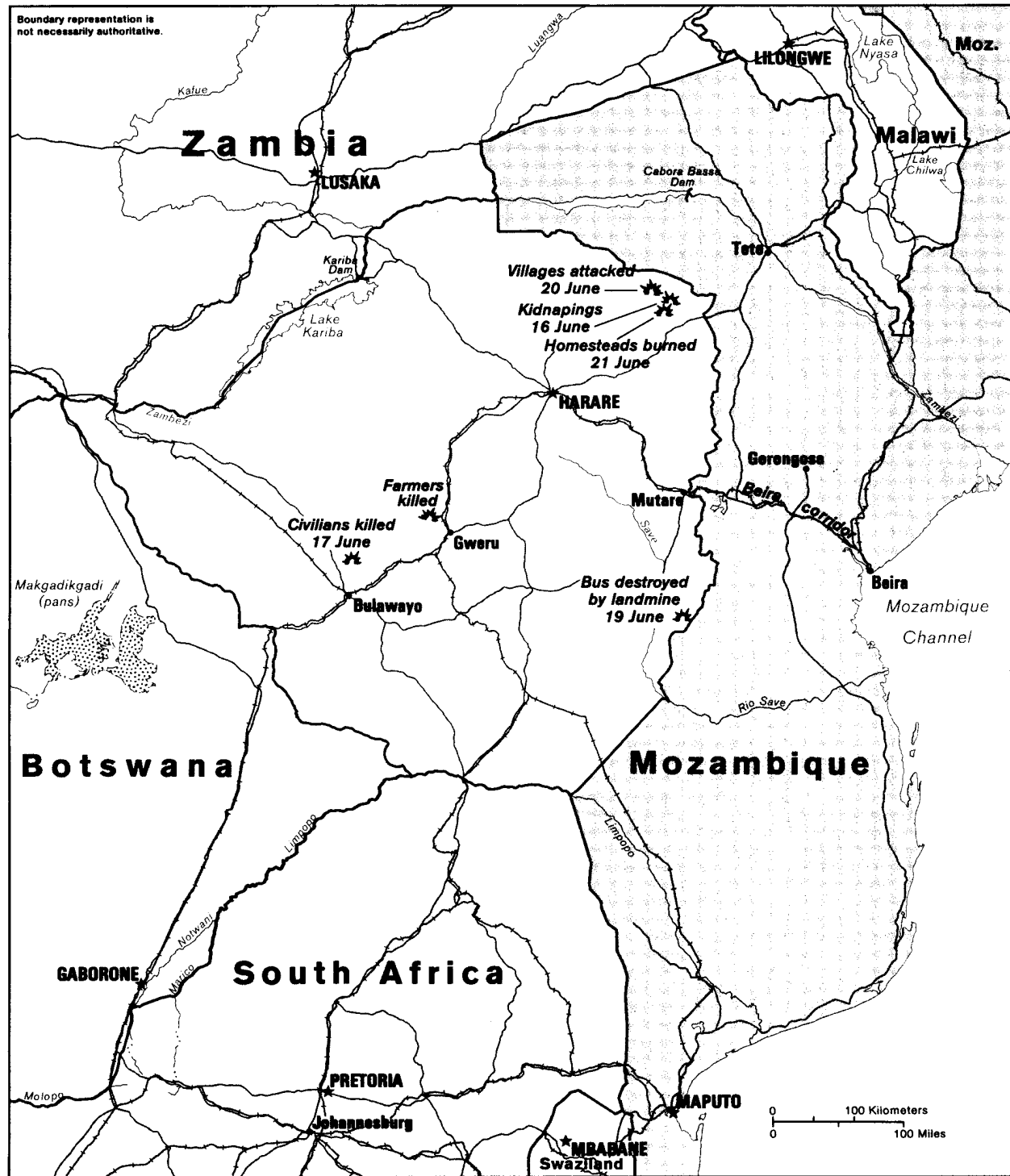
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RENAMO Attacks in Zimbabwe Since Mid-June 1987

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Special Analysis**ZIMBABWE:****Difficulties Grow**

Attacks into Zimbabwe by rebel Mozambican guerrillas pose a serious new challenge to Prime Minister Mugabe's government, which already is facing a surge in internal dissidence, a breakdown in party unity talks, and a deteriorating economy.

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The incursions last month, which took the lives of at least a dozen civilians, were the first significant cross-border raids RENAMO has carried out and fulfilled the group's pledge to carry the war into Zimbabwe. ~~the insurgents left behind leaflets threatening additional attacks unless the 7,000 to 8,000 Zimbabwean troops in Mozambique are withdrawn.~~ The Mugabe government is concerned about the incursions, but it would take a much more extensive campaign for Harare to reconsider its commitment to protect the Beira transportation corridor and the Mozambican Government.

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Zimbabwe has experienced an apparently unrelated surge of rural unrest. The US Embassy reports dissidents active since 1982 now operate over a broad stretch of territory between Gweru and Bulawayo in southcentral Zimbabwe and are targeting white farmers and tourists in particular. The government probably fears the dissidents could attract renewed South African support and shake the confidence of the country's 5,000 white commercial farmers, who are the mainstay of the agricultural sector.

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The government has charged—probably with little basis—that opposition leader Joshua Nkomo's Zimbabwe African People's Union is encouraging the violence. Relations between Mugabe's ruling party and ZAPU have soured since unity talks collapsed in April. Last month the government banned all ZAPU rallies and meetings, suggesting Mugabe may be moving away from the conciliatory policies pursued in the past two years to promote unity.

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Mugabe is also having trouble on the economic front. According to the Embassy, the economy is likely to contract by 3 to 4 percent this year, mainly because of an acute foreign exchange crisis and severe drought. In an effort to stabilize the economy, the government late last month froze all wages and prices of consumer goods. Such stopgap measures are not likely to turn the economy around and probably are intended to stave off more fundamental reforms that would prove unpopular when an increasing number of Zimbabweans are questioning Mugabe's leadership.

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